

ENRON CORP

July 14, 1994

Kenneth L. Lay
Chairman and
Chief Executive Officer

P. O. Box 1188
Houston, Texas 77251-1188
(713) 853-6773

Mr. James H. Shelton
Vice President Private Banking
NationsBank of Texas
700 Louisiana
Houston, Texas 77002

Dear James:

As we discussed, I would like for NationsBank to consider providing a line of credit for up to 70% of the market value of the assets to be held by the KLL & LPL Investments, Ltd. Partnership. In addition, I would request a standby line of credit of up to \$2 million to be used to purchase other assets to be placed in the partnership in the future, subject to the limitation that no more than 50% of the market value of such assets could be borrowed to purchase such assets. This partnership will hold assets as listed in Appendix A.

The collateral for these loans would be all of Linda's and my ownership in the KLL & LPL Investments, Ltd. Partnership. In addition, Linda and I and the partnership will guarantee the above-described debt. The partnership and Linda and I will execute the necessary pledge agreements.

The debt will be a personal debt of mine and Linda's (i.e., it will not be a partnership debt). The partnership has the power to guarantee our personal debt and to pledge partnership assets for our personal debts in consideration of an appropriate guarantee fee. We will pay that fee.

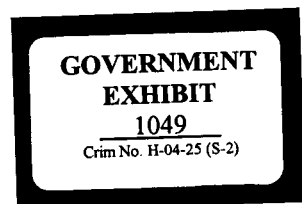
Please call me with any questions that you may have. When your attorneys have completed the necessary documents, please forward those documents to S. Stacy Eastland at Baker & Botts, L.L.P. for his review and comments.

Sincerely,

Enclosure: Appendix A



cc: Stacy Eastland



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